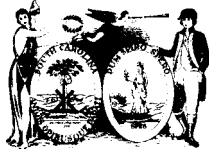


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA
STATE AUDITOR

(803) 253-4160
FAX (803) 343-0723

June 4, 2002

Mr. Frank Sinicrope, Chief Financial Officer
Chester County Hospital and Nursing Center
1 Medical Park Drive, Box 56
Chester, South Carolina 29706

Re: AC# 3-CHE-J7 – Chester County Hospital, Inc. d/b/a Chester County Nursing Center

Dear Mr. Sinicrope:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1996 through September 30, 1997. That report was used to set the rate covering the contract periods beginning October 1, 1998.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

A handwritten signature in black ink, appearing to read "Thomas L. Wagner, Jr.", written over a horizontal line.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sag

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Joseph Hayes

**CHESTER COUNTY HOSPITAL, INC.
D/B/A CHESTER COUNTY NURSING CENTER**

CHESTER, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING OCTOBER 1, 1998
AC# 3-CHE-J7**

AGREED-UPON PROCEDURES REPORT

ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

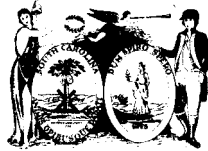
STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

January 18, 2002

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Chester County Hospital, Inc. d/b/a Chester County Nursing Center, for the contract periods beginning October 1, 1998, and for the twelve month cost report period ended September 30, 1997, as set forth in the accompanying schedules. The management of Chester County Hospital, Inc. d/b/a Chester County Nursing Center is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Chester County Hospital, Inc. d/b/a Chester County Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Chester County Hospital, Inc. d/b/a Chester County Nursing Center dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
January 18, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

A handwritten signature in black ink, appearing to read "Thomas L. Wagner, Jr.", written in a cursive style.

Thomas L. Wagner, Jr., CPA
State Auditor

CHESTER COUNTY HOSPITAL, INC. D/B/A CHESTER COUNTY NURSING CENTER

Computation of Rate Change
For the Contract Periods
Beginning October 1, 1998
AC# 3-CHE-J7

	<u>10/01/98-</u> <u>11/30/98</u>	<u>12/01/98-</u> <u>03/31/99</u>	<u>04/01/99-</u> <u>09/30/99</u>
Interim reimbursement rate (1)	\$92.40	\$93.15	\$96.66
Adjusted reimbursement rate	<u>90.59</u>	<u>91.34</u>	<u>94.85</u>
Decrease in reimbursement rate	\$ <u><u>1.81</u></u>	\$ <u><u>1.81</u></u>	\$ <u><u>1.81</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 19, 2000

CHESTER COUNTY HOSPITAL, INC. D/B/A CHESTER COUNTY NURSING CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1998 Through November 30, 1998
AC# 3-CHE-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$47.71	\$41.87	
Dietary		16.04	9.44	
Laundry/Housekeeping/Maint.		<u>11.03</u>	<u>7.70</u>	
Subtotal	\$ <u>-</u>	74.78	59.01	\$59.01
Administration & Med. Records	\$ <u>-</u>	<u>10.91</u>	<u>10.38</u>	<u>10.38</u>
Subtotal		85.69	<u>\$69.39</u>	69.39
<u>Costs Not Subject to Standards:</u>				
Utilities		2.90		2.90
Special Services		1.55		1.55
Medical Supplies & Oxygen		4.54		4.54
Taxes and Insurance		.45		.45
Legal Fees		<u>.25</u>		<u>.25</u>
TOTAL		<u>\$95.38</u>		79.08
Inflation Factor (3.60%)				2.85
Cost of Capital				8.75
Cost of Capital Limitation				(.34)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
Minimum Wage Add-On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$90.59</u>

CHESTER COUNTY HOSPITAL, INC. D/B/A CHESTER COUNTY NURSING CENTER

Computation of Adjusted Reimbursement Rate
For the Contract Period December 1, 1998 Through March 31, 1999
AC# 3-CHE-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$47.71	\$41.87	
Dietary		16.04	9.44	
Laundry/Housekeeping/Maint.		<u>11.03</u>	<u>7.70</u>	
Subtotal	\$ <u>-</u>	74.78	59.01	\$59.01
Administration & Med. Records	\$ <u>-</u>	<u>10.91</u>	<u>10.38</u>	<u>10.38</u>
Subtotal		85.69	<u>\$69.39</u>	69.39
<u>Costs Not Subject to Standards:</u>				
Utilities		2.90		2.90
Special Services		1.55		1.55
Medical Supplies & Oxygen		4.54		4.54
Taxes and Insurance		.45		.45
Legal Fees		<u>.25</u>		<u>.25</u>
TOTAL		<u>\$95.38</u>		79.08
Inflation Factor (3.60%)				2.85
Cost of Capital				8.75
Cost of Capital Limitation				(.34)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
CNA Add-On				.75
Minimum Wage Add-On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$91.34</u>

CHESTER COUNTY HOSPITAL, INC. D/B/A CHESTER COUNTY NURSING CENTER

Computation of Adjusted Reimbursement Rate
For the Contract Period April 1, 1999 Through September 30, 1999
AC# 3-CHE-J7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$47.71	\$45.26	
Dietary		16.04	9.44	
Laundry/Housekeeping/Maint.		<u>11.03</u>	<u>7.70</u>	
Subtotal	\$ <u>-</u>	74.78	62.40	\$62.40
Administration & Med. Records	\$ <u>-</u>	<u>10.91</u>	<u>10.38</u>	<u>10.38</u>
Subtotal		85.69	<u>\$72.78</u>	72.78
<u>Costs Not Subject to Standards:</u>				
Utilities		2.90		2.90
Special Services		1.55		1.55
Medical Supplies & Oxygen		4.54		4.54
Taxes and Insurance		.45		.45
Legal Fees		<u>.25</u>		<u>.25</u>
TOTAL		<u>\$95.38</u>		82.47
Inflation Factor (3.60%)				2.97
Cost of Capital				8.75
Cost of Capital Limitation				(.34)
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				-
Effect of \$1.75 Cap on Cost/Profit Incentives				-
CNA Add-On				.75
Minimum Wage Add-On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$94.85</u>

CHESTER COUNTY HOSPITAL, INC. D/B/A CHESTER COUNTY NURSING CENTER

Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1997
AC# 3-CHE-J7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$2,175,522	\$ -	\$458,161 (1)	\$1,717,361
Dietary	557,483	19,768 (1)	-	577,251
Laundry	66,572	-	1,268 (1)	65,304
Housekeeping	168,720	-	18,050 (1)	150,670
Maintenance	148,141	32,875 (1)	-	181,016
Administration & Medical Records	434,801	-	41,986 (1)	392,815
Utilities	149,308	-	44,938 (1)	104,370
Special Services	55,880	-	-	55,880
Medical Supplies & Oxygen	150,086	13,394 (1)	-	163,480
Taxes and Insurance	47,200	-	30,989 (1)	16,211
Legal Fees	-	8,950 (1)	-	8,950
Cost of Capital	<u>312,437</u>	<u>50,318</u> (2)	<u>47,869</u> (1)	<u>314,886</u>
Subtotal	4,266,150	125,305	643,261	3,748,194
Ancillary	29,144	-	2,892 (1)	26,252
Non-Allowable	<u>248,848</u>	<u>461,941</u> (1)	<u>50,318</u> (2)	<u>660,471</u>
Total Operating Expenses	<u>\$4,544,142</u>	<u>\$587,246</u>	<u>\$696,471</u>	<u>\$4,434,917</u>
Total Patient Days	<u>35,995</u>	<u>-</u>	<u>-</u>	<u>35,995</u>

Total Beds 100

CHESTER COUNTY HOSPITAL, INC. D/B/A CHESTER COUNTY NURSING CENTER

Adjustment Report
Cost Report Period Ended September 30, 1997
AC# 3-CHE-J7

ADJUSTMENT NUMBER	ACCOUNT TITLE	DEBIT	CREDIT
1	Dietary	\$ 19,768	
	Maintenance	32,875	
	Medical Supplies	13,394	
	Legal	8,950	
	Nonallowable	461,941	
	Other Equity	109,225	
	General Services		\$458,161
	Laundry		1,268
	Housekeeping		18,050
	Administration and Medical Records		41,986
	Utilities		44,938
	Taxes and Insurance		30,989
	Cost of Capital		47,869
	Ancillary		2,892
	To adjust cost centers to amounts per the as filed Medicare cost report HIM-15-1, Section 2300		
2	Cost of Capital	50,318	
	Nonallowable		50,318
	To adjust capital return State Plan, Attachment 4.19D		
	TOTAL ADJUSTMENTS	<u>\$696,471</u>	<u>\$696,471</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

CHESTER COUNTY HOSPITAL, INC. D/B/A CHESTER COUNTY NURSING CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-CHE-J7

	<u>Old Beds</u>	<u>New Beds</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.1814</u>	<u>2.1814</u>	
Deemed Asset Value (Per Bed)	34,069	34,069	
Number of Beds	<u>62</u>	<u>38</u>	
Deemed Asset Value	2,112,278	1,294,622	
Improvements Since 1981	396,496	19,602	
Accumulated Depreciation at 9/30/97	<u>(988,044)</u>	<u>(735,280)</u>	
Deemed Depreciated Value	1,520,730	578,944	
Market Rate of Return	<u>.067</u>	<u>.067</u>	
Total Annual Return	101,889	38,789	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	101,889	38,789	
Depreciation Expense	161,647	57,770	
Amortization Expense	-	-	
Capital Related Income Offsets	(28,030)	(17,179)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	235,506	79,380	\$314,886
Total Patient Days (Actual Days)	<u>22,317</u>	<u>13,678</u>	<u>35,995</u>
Cost of Capital Per Diem	\$ <u>10.55</u>	\$ <u>5.80</u>	\$ <u>8.75</u>

CHESTER COUNTY HOSPITAL, INC. D/B/A CHESTER COUNTY NURSING CENTER

Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended September 30, 1997
AC# 3-CHE-J7

	<u>Old Beds</u>	<u>New Beds</u>
6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ 6.02	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	\$ <u>10.01</u>	\$ <u>5.80</u>
Reimbursable Cost of Capital Per Diem*		\$8.41
Cost of Capital Per Diem		<u>8.75</u>
Cost of Capital Per Diem Limitation		\$ <u>(.34)</u>

*[(10.01 x 22,317) + 79,380]/35,995

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